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SUBJECT: COMMUNIST WEST BENGAL OPENS FOR BUSINESS BUT A LAND BATTLE  
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11. (U) SUMMARY: West Bengal Chief Minister Buddhadeb Bhattacharjee has received a vote of confidence from industry in recent months with the announcements of various large investments totaling several billion dollars. Foreign and domestic corporations have publicized plans to construct new factories, build roads, bridges, highways and gas pipelines, and even to launch a large chain of retail stores. The scale of these projects -- requiring significant tracts of land -- and the CM's cozying up to big corporate investment, however, are generating tensions within the Left, as the Left's unreconstructed members question the impact on farmers and the Left's traditional ideology. The opposition, while problematic, does not appear to be slowing the pace of investment.  
END SUMMARY.

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Who is here, who is coming  
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13. (U) Over the past five years, the Communist Party of India -- Marxist (CPM)-led Government of West Bengal (GOWB) has cultivated investment in the IT sector. IT giants IBM and WIPRO were initially attracted to Calcutta for its lower labor costs compared to other major Indian cities. Those companies are expanding and now others are planning to set up operations as well. WIPRO has already started construction on a 40-acre expansion with an almost doubling of staff to 5000 employees. IBM has announced a doubling of its size to 5,000 employees as well, and will be moving into a new 100,000 square foot facility in the Calcutta's suburban Rajarhat New Township. Indian IT giant Infosys is negotiating for 100 acres of land and plans to have 5000 IT/ITES jobs in its future Calcutta facility.

14. (U) To support the burgeoning service sector, Delhi-based property developer Unitech has commenced work on a 250-acre multi-use development with residential, IT, hotel and convention facilities. Unitech is partnering with the Jakarta-based Universal Success Group. Unitech sources told ConGen that U.S.-based Marriott Hotels would manage the state-of-the-art convention center and five surrounding hotels.

15. (U) Investment plans are not limited to the service industries alone. Manufacturing, a sector long moribund in the state, was given a boost by Indian consumer electronics major Videocon announcing its intent to invest USD 22 million for a liquid crystal display television manufacturing unit and an

additional USD 177 million to branch out to ITES. Tata Motors, part of the Tata conglomerate, proposes setting up a small-car manufacturing plant at Singur, near Calcutta. TATA Motors is targeting the emerging middle class in the region, with a newly designed "economical" car to be priced at USD 2000. As part of Tata's USD 222 million investment, the GOWB has arranged for Tata's acquisition of 1000 acres of land. The company will also establish Telco Construction Equipment factory, a subsidiary of Tata Motors, at a cost of USD 500,000, in Kharagpur, 120 Km west of Calcutta, for manufacturing heavy automobile equipment

¶6. (U) Southeast and East Asian companies are also contributing to the investment climate. Japanese Mitsubishi Chemicals plans to double the capacity of its petrochemical plant located in Haldia with an additional FDI of USD 370 million. The biggest investment in W. Bengal is coming from the Jakarta-based Salim Group (Salim). Salim has started work on a USD 500 million, 390-acre integrated satellite township project, with full infrastructure, facilities and public services for a self-contained community. Salim has also broken ground on a motorcycle manufacturing plant near Calcutta at a cost of USD 250 million.

¶7. (U) In July, Salim signed a memorandum of understanding with the GOWB and the West Bengal Industrial Development Corporation Ltd (WBIDC) to create the New Kolkata International Development (NKID). NKID will be a large infrastructure project requiring 40,000 acres and valued at an estimated USD 4.5 billion, spread over the next 15 years with an employment potential of 1.7 million. The Detailed Project Proposal (DPP) submitted by NKID envisages a mega-chemical industrial estate, a multi-product special economic zone, a small and medium enterprises industrial estate, an expressway, bridges, townships, commercial blocks, training institutes, a health city and a knowledge city.

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FDI and Plans for Infrastructure  
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¶8. (U) Poor infrastructure consistently has plagued W. Bengal's economic progress and remains a potential bottleneck state's future development. Recently, CM Bhattacharjee revealed his infrastructure wish list, which included a deep-sea port, a new international airport in Calcutta and an elevated light railway transit system for the city. The GOI has already approved the concept of a deep-sea port and has announced plans to upgrade the existing Calcutta airport. However, Bhattacharjee has expressed the desire to build a new airport on vacant land in the southern Calcutta suburbs and, contrary to the position of the CPM at the national-level, has said his state government would accept 100 percent FDI in the new airport and for it to be managed by the private sector. The project is estimated to cost USD 267 million and will require around 4,000 acres of land. Consultant Engineering Services, an engineering consultancy firm, has conducted the preliminary study for this project.

¶8. (U) The Chief Minister is also pushing for a USD 667 million light rail project for mass transit in Calcutta. The Mumbai-based business tycoon Anil Ambani, together with the French company TGV, has already submitted a proposal.

¶9. (U) In addition, the GOWB is establishing a 25,000-acre Special Economic Zone (SEZ) in Haldia - about 100 miles south west of Calcutta - that will house a petrochemical hub and a modern township. GOI-owned Indian Oil Limited (OIL) has expressed interest in constructing a refinery in the proposed chemical hub.

¶10. (U) Large investments in retail have also been announced. While CM Bhattacharjee and the Left, concerned that small retailers and middlemen would be disadvantaged and possibly unemployed, have opposed FDI in retail, no objections have been expressed to Indian companies setting-up large retail operations. Mukesh Ambani's Reliance Industries Limited (RIL)

intends to set up a chain of agro-retail stores all across West Bengal following the model of Wal-Mart. In June, the company submitted a detailed project report to the Chief Minister, outlining RIL's plans to invest approximately USD 400 million to set up over 50 retail outlets, with the complete retail backbone of cold chain and logistics network as well as five distribution hubs in the state. The company will source agricultural products from farmers on a large scale and sell these through its own retail outlets. RIL's retail plans aim at "transforming the agro retail sector in West Bengal." The project claims it will link farmers to consumers and facilitate the transformation of the agro-industry in India to agro-processing. Reliance Group will further invest an additional USD 400 million to link its Bay of Bengal gas field (the Krishna-Godavari basin in Andhra Pradesh and the Mahanadi basin in Orissa) to Haldia in West Bengal.

¶11. (U) In June, Calcutta-based conglomerate Indian Tobacco Company Ltd. (ITC) proposed new investments of USD 215 million to include expansion of its hotel ITC-Sheraton Sonar Bangla and a tobacco factory at Khidderpore in Calcutta. ITC also proposed to set up an IT project, logistic hub, a food factory and an agro-retail business. ITC wants to increase the number of rooms in its hotel in the city from 237 to 300 with an investment of USD 0.78 million. The company has sought to purchase an additional 10 acres for the hotel facility.

¶12. (SBU) Comment: These recent plans by RIL and ITC Ltd and other major retailers like Big Bazaar and RPG Group to create retail operations and logistics networks, reflects the Indian corporate effort to develop large scale investment in retail while the GOI still blocks FDI in the retail sector. Clearly, domestic corporate interest is a factor in the GOI's decision to restrict FDI in retail. US-India CEO Forum member and Chairman of ITC Ltd, Mr. Y.C. Deveshwar expressed a strong protectionist stance to Treasury Under Secretary Timothy Adams against FDI in retail during the Under Secretary's visit to Calcutta in May. End Comment.

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The Looming Land Conflict  
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¶13. (U) CM Bhattacharjee's success in attracting new, large investments is tempered by the emerging issue of availability of suitable land. He is also facing strong criticism from Leftist ideologues opposed to his support for large corporations and multi-nationals coming to the state. The CPM and its Leftist allies came to power in the late 1970's by supporting land reform and distribution of small plots to the rural masses. Consolidating the land for large industrial projects runs counter to the long held principles of the Left, and the GOWB's bid to acquire agricultural land for corporate investors has already met with local resistance. In June, many small-scale farmers protested the purchase and conversion of their fertile land for Tata Motor's small-car project. CPM officials opposed to Bhattacharjee's industrial initiative supported the farmers. This faction includes those with agricultural constituencies, such as the Land and Land Reforms Minister, Mr. Abdul Rezzak Mollah and supporters of former Chief Minister and veteran CPM Politburo member Jyoti Basu. Mollah, wary of factories being built on farmland, has suggested an amendment to existing land acquisition laws. This was rejected by Commerce and Industry Minister Nirupam Sen. [Note: Recent news reports suggest that Maoists operating in the southern part of the state have offered support for the small-scale farmers who oppose the government's acquisition of land, raising concerns of violence should negotiations become contentious. End Note].

¶14. (U) The CPM's Left Front partners, particularly the Forward Bloc and RSP, have been critical of converting agricultural land to industry. The GOWB is planning a White Paper on its new industrial policy, which will outline the strategy behind land acquisition for industrial projects. Contacts in the CPM

indicate that the best approach to defuse this opposition is to ensure employment on a large scale in these factories.

¶15. (U) COMMENT: Starting his second five-year term as Chief Minister, Bhattacharjee appears to be accelerating his efforts to reform the Leftist policies of his CPM-led government and to attract more corporate investment in West Bengal. So far, the CM has been able to effectively push his plans for promoting growth and investment over the opposition of the more hard-line Leftist ideologues in his party. However, his policies will face a real test in the villages. Farmers have expressed objections, while some are conceding with the promise of new jobs, but the issue could easily become more confrontational as projects continue to be implemented and more land acquired for industry. End Comment.

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